Front Cover

Taxation Projection and Planning

2020

Client Name

**Purpose of Tax Planning**

***Why bother…..???***

Tax planning is the activities taken to minimise tax liabilities to ensure all available allowances, deductions, exclusions and exemptions are working together in the most tax effective manner to reduce the total tax bill.

The purpose of this report is to provide a reconmmedation of strategies for you to consider for the year to come. This report is not intended to be our final advice to you, but instead a stating point in educating you on potential opportunities.

Quote in Box

*“If you fail to plan, you are planning to fail”*

Tax planning strategies are typically employed to help a business achieve their financial and business goals. The benefits of tax planning are:

* Lowering the Amount of taxable income
* Reduceing the tax rate
* Allowing greater Control of when taxes get paid
* Better Management of your cashflow
* Eliminating nasty tax surprises

**Reconmendations**

We will provide you with a list of Action plans and a further list of ……… The list will be broken down in Short term and Longer Term action. Also list of actions to follow up on …..work on this bit ……sjc

**Basis of Preparation**

The taxation estimate has been prepared on the basis of information provided by the client. The report is intended for internal tax planning purposes and represents a "What if scenario". It does not necessarily represent real or intended transactions.

CollinsMoore have not performed any tests to verify or validate any of the information provided by the client and accordingly express no assurance as to the outcome indicated.

To the extent permitted by law we do not accept liability for any loss or damage which any person, other than the client may suffer arising from any negligence on our part. No person should rely on the Taxation estimate without having a full review or audit conducted on the data.

*Superannuation*

Provision of Advice is guided by legislative requirements to be provided in a Statement of Advice. Any and all comments regarding Superannuation are not to be taken as advice rather than statement of factual information about the situation. The statement is not a recommendation to take any action unless that action is required by law. The clients personal situation has not been considered in providing the information. Any action to be taken in relation to the information provided, should take into account the clients personal situation and consideration must be given as to whether action will be appropriate for the clients' objectives and needs. Specific Contribution amounts and SMSF product advice can only be provided under a Statement of Advice by a AFSL Holder.

CollinsMoore

Chartered Accountants

***Excel sheets added here***

*Items to Discuss*

*Action Items to do now*

*Action items to see others About*

*Action items for after year end*

***Taxation Planning Stratagies***

***Main Taxation Plannings Strategies***

*Stategy*

TAX PLANNING STRATEGIES

## A more detailed list of potential tax planning strategies is as follows:

MAIN TAX PLANNING STRATEGIES

S TRA TEG Y

## Bring Forward Expenses

If possible, you should incur any business use expenses prior to 30 JuneT his way that expense will be included in the current tax year rather than NEXT tax year, reducing your tax payable in this financial year.

Examples include: consumables, repairs, computer and office supplies.

## Defer Income

If possible, you should defer issuing invoices in the last week or two until after 30 June 2019. This way that income will be included in the 2020 tax year rather than the 2019 tax year, deferring tax on the income for a year. Cash basis taxpayers should defer receipt of payment if possible.

## Accounts Receivable

Under the small business tax concessions, the financial statements can be prepared on a cash basis so amounts receivable can be removed from the financial statements for tax purposes

## Accounts Payable

Under the small business tax concessions, the financial statements can be prepared on a cash basis so amounts payable can be removed from the financial statements for tax purposes

## Depreciation From Purchased Assets that Cost more than $30,000

A small business entity that purchases depreciating assets that cost more than:

- $30,000 from 3 April 2019 - 30 June 2019

- $25,000 from 29 January 2019 – 2 April 2019

- $20,000 from 1 July 2018 – 28 January 2019

Will receive the following tax deductions from pooling the asset(s) in a small business asset pool:

* A 15% deduction in the 2019 tax year, regardless of when you purchased or acquired the asset during the year; and
* A 30% deduction each year after the first year.

## Bucket Company

If your business is trading through a trust and you have incurred higher than normal profits or the profits earned in your business are taxed at the highest marginal tax rate then a further tax planning strategy to consider is to set up a bucket company.

## Instant Asset Write Off

You can immediately deduct the cost of a business asset if it costs (excluding GST) less than:

- $30,000 from 3 April 2019 - 30 June 2019

- $25,000 from 29 January 2019 – 2 April 2019

- $20,000 from 1 July 2018 – 28 January 2019

This deduction can be used for each asset that costs less than $30,000, whether new or second hand.

## Pay Employee Superannuation

To secure a tax deduction for your June quarter 2019 superannuation owing, we recommend that you pay this prior to 23 June 2019 to ensure that it has time to clear into the super funds prior to 30 June 2019. NOTE: This payment must clear your back account prior to 30 June 2019 for it to be considered a tax deduction in the 2019 tax year.

## One Year Lease

If you are considering purchasing plant and equipment in excess of $25,000 per item you could consider using a one year lease agreement to accelerate the tax deduction available. Providing the lease is structured correctly full amount of the lease payment is tax deductible in the year of payment.

## Super - Optimise Tax Deductible Super Contributions

In the 2019 tax year, the concessional super contributions (gives you a tax deduction) cap is $25,000 for everyone.

Concessional super contributions include employer contributions (such as super guarantee and salary sacrifice contributions) and personal contributions.

One strategy you could consider is to review your super contribution types and amounts to ensure your super contributions have been optimised.

For example, if your employer contributions for the year are $15,000, you could choose to "top up" your super to the $25,000 limit by making either a salary sacrifice contribution of $10,000 or a personal contribution of $10,000.

PERSONAL SUPER CONTRIBUTIONS

Additionally, individuals under 75 years old can claim a tax deduction for personal super contributions (including those aged 65 to 74 who meet the work test).

To satisfy the work test, a person must work at least 40 hours during a consecutive 30-day period each financial year in order for their fund to accept a personal super contribution for which they can claim a deduction.

If you are interested in discussing this further, please contact our office and ask to speak to a licensed financial adviser.

## Distribution to Children or Other Family Members Over 18

Children aged 18 at 30 June are taxed at adult tax rates and as such income can be split multiple ways rather than just between husband and wife. This can also apply to other family members such as parents or siblings if they don’t have high incomes and are not in receipt of Centrelink allowances

# OTHER BUSINESS TAX PLANNING STRATEGIES

## Bonus Payments

Bonus payments to employees will be tax deductible to the employer in the 2019 year (even if the physical payments are not made until the following year), provided that the business is committed to the payments of quantified amounts prior to 30 June 2019.

This will be evidenced by employment agreements and Resolutions of Directors / Trustees / Managers.

## Business Travel Listing

Prepare listing of all Business Travel prior to 30 June 2019 for payment of Travel Allowances. This will increase your tax deductions, and reduce your tax payable.

## Donations

Not only are donations to an organisation on the Deductible Gift Recipient register tax deductible, you will be supporting a very worthy cause. (The amount you wish to donate is at your discretion and the strategy cost listed to the right is to illustrate the potential tax savings).

You will need to make your donation by 30 June 2019 to be able to claim a tax deduction for the 2019 year.

## Home Office Costs

Keep a diary, like a log book, of the hours you work from home. Your diary evidence may then allow for an hourly rate claim for home office running costs.

## Prepay Accounting Fees

Consider prepaying your Accounting Fees for the next year before 30 June 2019. You can claim an immediate tax deduction for such prepayments. (The strategy cost noted is only an estimate and was based upon your prior year tax returns to allow an indicative tax saving amount to be calculated).

## Review Trade Debtors & Write off bad debts

Do you have any outstanding debtors that are unlikely to pay? If so, you should consider writing these off prior to 30 June 2019. The decision to write off bad debts should be documented prior to 30 June 2019 and your accounting system updated prior to 30 June 2019.

## Spouse or Children Wage

Overall family tax can be reduced if income can be legitimately paid to a spouse or children over age 14 who has a lower tax rate. Wages can be paid to a spouse and can be treated as a tax deduction provided that the amount paid is reasonable for the duties performed. If the monthly wages are over $450, then employer superannuation of 9.5% will have to be paid on the wages amount. Workers compensation insurance and payroll tax pay also apply to any wages paid.

## Stock / Work in Progress Valuation

Stock and Work in Progress (WIP) are required to be valued at the end of 30 June 2019 at its cost, market selling price or replacement value. There is no obligation to use the same method for each item of stock - so it's worthwhile to consider the valuation method used for each stock item to potentially reduce your tax.

The definition of each method is as follows:

* Cost - the cost of acquiring the trading stock / WIP plus any further costs in getting it into its existing condition or location.
* Market Selling Value - the current selling value of the item in your selling market.
* Replacement Value - the cost of replacing the item.
* Obsolete Stock - you may also elect to value an item of stock below any of the values above due to obsolescence or any other special circumstances.

## Tax Audit Insurance

Audit Insurance is a good way of ensuring you are not out of pocket in the event of an Australian Taxation Office (ATO) Audit of your tax returns. The ATO are consistently increasing their Audit activity through more and more data matching with third party institutions. If they find something that you have not declared and it takes time to resolve the issue, you can be left with a large accounting bill. For such a small tax-deductible premium you can have peace of mind should you ever be singled out.

To claim a tax deduction for this in the 2019 year, you will need to pay your insurance premium before 30 June 2019.